

A BILL TO BE ENTITLED

AN ACT

relating to the investment authority of the Teacher Retirement System of Texas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 825.301, Government Code, is amended by adding Subsections (a-1), (a-2), (a-3), and (b-1) and amending Subsection (b) to read as follows:

(a-1) This subsection expires September 1, 2012, and applies to the investment and reinvestment of assets of the retirement system only if the investment or reinvestment is made before September 1, 2012. In addition to any investment or reinvestment authorized by Subsection (a), the board of trustees may buy and sell the following, only to efficiently manage and reduce the risk of the overall investment portfolio:

(1) futures contracts;

(2) options;

(3) options on futures contracts;

(4) forward contracts;

(5) swap contracts, including swap contracts with embedded options;

(6) any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling, or holding investments; and

(7) any other instrument commonly used by

1 institutional investors to manage institutional investment  
2 portfolios.

3 (a-2) The board of trustees may delegate investment  
4 authority and contract with one or more private professional  
5 investment managers for investment and management of not more than  
6 30 percent of the total assets held in trust by the retirement  
7 system. In a contract made under this subsection, the board of  
8 trustees shall specify any applicable policies, requirements, or  
9 restrictions, including criteria for determining the quality of  
10 investments or the use of standard rating services, that the board  
11 of trustees adopts for investments of the system. The board of  
12 trustees may not contract under this subsection for investment and  
13 management services to be performed on or after September 1, 2012.

14 (a-3) For the purpose of carrying out policy decisions made  
15 by the board of trustees, the board may delegate investment  
16 authority with respect to assets held by the retirement system to  
17 the executive director or the staff of the retirement system.

18 (b) In addition to the board's authority under Subsection  
19 (a-2), the [The] board of trustees may contract with private  
20 professional investment managers, advisors, and consultants to  
21 assist and advise the board and the staff of the retirement system  
22 in investing the assets of the retirement system.

23 (b-1) By accepting a delegation of investment authority  
24 under Subsection (a-2) or an engagement to assist or advise the  
25 board or the staff of the retirement system under Subsection (b), a  
26 professional investment manager, advisor, or consultant submits to  
27 the jurisdiction of the courts of this state in all proceedings

1 arising from or related to performance of the delegated authority  
2 or engagement. An action relating to services rendered under this  
3 section shall be brought only in a state district court sitting in  
4 Travis County, Texas. Chapter 2260 does not apply to a contract  
5 under Subsection (a-2) or (b). This subsection does not waive any  
6 immunity of the retirement system.

7 SECTION 2. Subchapter D, Chapter 825, Government Code, is  
8 amended by adding Section 825.3011 to read as follows:

9 Sec. 825.3011. CERTAIN CONSULTATIONS CONCERNING  
10 INVESTMENTS. (a) In this section, "private investment fund,"  
11 "reinvestment," and "restricted securities" have the meanings  
12 assigned by Section 552.143.

13 (b) Chapter 551 does not require the board of trustees to  
14 confer with one or more employees, consultants, or legal counsel of  
15 the retirement system or with a third party, including  
16 representatives of an issuer of restricted securities or a private  
17 investment fund, in an open meeting if the only purpose of the  
18 conference is to receive information from or question the  
19 employees, consultants, or legal counsel of the retirement system  
20 or the third party relating to:

21 (1) an investment or a potential investment by the  
22 board of trustees in a private investment fund; or

23 (2) the purchase, holding, or disposal of restricted  
24 securities or a private investment fund's investment in restricted  
25 securities if, under Section 552.143, the information discussed  
26 would be confidential and excepted from the requirements of Section  
27 552.021 if the information was included in the records of a

1 governmental body.

2 (c) This section applies notwithstanding Section 825.115.

3 SECTION 3. Subchapter D, Chapter 825, Government Code, is  
4 amended by adding Section 825.3012 to read as follows:

5 Sec. 825.3012. INVESTMENT IN CERTAIN HEDGE FUNDS LIMITED.

6 (a) For the purposes of this section, "hedge fund" means a private  
7 investment vehicle that:

8 (1) is not registered as an investment company;

9 (2) issues securities only to accredited investors or  
10 qualified purchasers under an exemption from registration; and

11 (3) engages primarily in the strategic trading of  
12 securities and other financial instruments.

13 (b) Notwithstanding any provision of Section 825.301, not  
14 more than five percent of the value of the total investment  
15 portfolio of the retirement system may be invested in hedge funds.

16 (c) The percentage of the value described by Subsection (b)  
17 is determined by reference to the value of the total investment  
18 portfolio of the retirement system as of the date the retirement  
19 system executes the subscription documents for each hedge fund  
20 investment.

21 SECTION 4. This Act takes effect immediately if it receives  
22 a vote of two-thirds of all the members elected to each house, as  
23 provided by Section 39, Article III, Texas Constitution. If this  
24 Act does not receive the vote necessary for immediate effect, this  
25 Act takes effect September 1, 2007.